



<u>Program Description:</u> SHSF will provide below market rate financial assistance for repairs to "eligible housing". Financial assistance may be in the form of grants, loans and/or deferred loans. DECD has determined that it will not utilize loan guarantees or interest subsidies at this time. Grants will be provided only when it is determined by DECD that there is a very low probability that the recipient would be able to repay a deferred loan from future operating funds, refinancing or residual value of the property.

<u>Eligible Housing:</u> The housing loan portfolio transferred from the DECD to CHFA pursuant to CGS § 8-37uu.

<u>Eligible Borrowers:</u> Owners of eligible housing that are in good standing with DECD and CHFA. "Good Standing" means that the Borrower is not in default under any agreement with DECD or CHFA. The Commissioner may waive this requirement if it is determined to be in the best interest of the state.

**Rehabilitation Requirement:** Any reasonable hard and soft cost associated with the maintenance, repair, rehabilitation, and modernization of eligible housing and for other activities consistent with the preservation of eligible housing including but not limited to the following areas in order of priority: (1) emergency repairs to abate actual or imminent emergency conditions that would result in the loss of habitable housing units, (2) remediation or abatement of hazardous materials, including lead, (3) reduction of vacant units, (4) increases in development mobility and sensory impaired accessibility in units, common areas, and accessible rooms, and (5) major systems repairs or upgrades, including but not limited to roofs, windows, mechanical systems and security, and any relocation costs and alternative housing for not more than sixty days, made necessary because of failure of a major building system or emergency condition that would result in a loss of habitable units.

<u>Administrative/Soft Costs:</u> Not more than fifteen percent (15%) of the total rehabilitation/project cost can be used cover administrative and/or other soft costs associated with the rehabilitation, as approved by DECD.

<u>Affordability Requirement:</u> Governed by the requirements of the program that originally financed the housing, other applicable state laws or the rehabilitation loan term, whichever is more stringent.

<u>Terms for Financial Assistance:</u> Interest rates may be 0-4%. Principal and interest may be deferred, if appropriate. Loan maturity is tailored to each transaction but generally will not exceed 30 years, unless the Commissioner approves a longer period.

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Loans may be made in concert with or independent of private or public-sector lenders and investors; provided that there are cross default provisions. Financing may be subordinated to other indebtedness commensurate with risk; however, cross default language acceptable to DECD will be required.

<u>Prepayment:</u> Prepayment is allowable, but affordability restrictions remain. See Affordability Requirement above.

**Recourse:** Loans are non-recourse.

<u>Process for Certifying Emergency Conditions:</u> When an emergency condition exists the Borrower in conjunction with CHFA shall certify the condition to DECD within 48 hours. DECD shall offer a contract for financial assistance to the Borrower within 5 business days. Emergency funding may include the costs of relocation of tenants affected by the condition for a period not to exceed 60 days.

**Energy Efficiency:** Any request for the installation of mechanical, lighting and power systems should to the extent practicable and cost effective, be in compliance with the *International Energy Conservation Code*, 2006 edition, as published by the International Code Council, for regulating and governing energy efficient building envelopes and installation of energy efficient mechanical, lighting and power systems. Pertinent repairs should to the extent practicable maximize energy efficiency in order to reduce operating costs. DECD urges Borrowers to apply to any programs that may be available to finance energy related improvements such as the Connecticut Energy Efficiency Fund at <a href="http://www.ctsavesenergy.org/index.php">http://www.ctsavesenergy.org/index.php</a>. Additionally see **Attachment B** regarding ENERGY STAR procurement.

<u>Temporary Relocation:</u> Funds for relocation will not be advanced to the Borrower until a relocation plan is reviewed and approved by DECD, see **Attachment C**. Relocation costs will be provided for no longer than 60 days, made necessary because of the failure of a major building system or an emergency condition where there will be a temporary loss of habitable units.

<u>Repairs Maintenance & Replacement (RM & R) Requirement:</u> The minimum reserve for maintenance and repairs is determined on an analysis of the results of a Comprehensive Physical Needs Assessment and on a project-by-project basis.

**Equity Requirement**: There is no minimum cash equity requirement, however, to the extent practical, existing Replacement Maintenance and Reserve funds will be used first.

**Developer Fee:** None allowed.

Third Party Fees: The Borrower will be responsible for paying any and all of DECD's

third party fees required to complete the due diligence review and close the transaction. These costs may be capitalized in the rehabilitation budget.

Application Process for Emergency Repairs: Applicants will be contacted by DECD and CHFA for emergency repairs. CHFA will review and prioritize existing and new proposals for emergency repairs in accordance with its guidelines, including site inspection, analysis of emergency repair plan, comprehensive physical needs assessment, if any, review of detailed cost estimates and project timeline, financial analysis, assessment of reserves and any other documents required by CHFA regarding the property to be rehabilitated.

CHFA will continue to authorize use of project reserves, where appropriate and to directly fund any emergency repairs that it determines to be feasible with a CHFA financing. For other emergency repair projects, which CHFA determines may be viable with DECD financing, or a combination of CHFA and DECD financing, CHFA will provide Borrowers with DECD's application form. The Borrower and CHFA will complete the application package together for purposes of consistency; and to adhere to the statutory requirements for emergency certifications.

The Borrower will forward the SHSF Emergency Application along with the following documents that shall constitute an "application package" to DECD:

- (1) Emergency Certification Form (if applicable)
- (2) CHFA Recommendation Letter
- (3) Financial Assistance Worksheet
- (4) DECD Project Development Budget and Financing Plan
- (5) Form W-9
- (6) State of Connecticut Agency Vendor Form
- (7) Copy of Restrictive Covenant (if applicable)
- (8) Temporary Relocation Plan (if applicable)
- (9) Comprehensive Physical Needs Assessment (if available)
- (10) SEEC Form 10
- (11) Nondiscrimination Certification for State Contracts
- (12) Corporate Resolution

<u>Contract for Financial Assistance:</u> DECD's contract for financial assistance will require the Borrower to continue to operate the project within the statutory requirements and guidelines of the state funding program(s) that originally created the units.

<u>Emergency Repairs Oversight:</u> CHFA will provide construction oversight of projects in accordance with its standard procedures. DECD's standard payment requisition form will be utilized during the construction stage. CHFA will review and approve payment requests and will provide a formal payment recommendation to DECD.

<u>Additional Requirement:</u> Borrowers may be required to submit semi-annual financial reports, however, project progress reports must accompany each payment request.

<u>Remaining Funds after Emergency Repairs:</u> If DECD determines that funds remain after all emergency repairs, DECD will fund Comprehensive Needs Assessments with remaining funds or should any new emergencies arise, those will be considered a priority followed by non-emergency repairs in priority order noted below.

Comprehensive Physical Needs Assessment: An assessment will not need to be completed before emergency repairs are made. As a condition of all of the financing under the SHSF, each Borrower will be required to obtain a Comprehensive Physical Needs Assessment and submit it to the DECD in a format prescribed by DECD. However, this activity will be undertaken only if there is funding available and no current emergency conditions exist within inventory of eligible housing. A Borrower may be exempt from this requirement if it already has an assessment that meets DECD standards and is no more than 36 months old at the time of application. DECD reserves the right to issue a RFQ to eligible vendor(s) if it determines that it is more cost effective and efficient than contracting for individual assessments. In such a case, each Borrower may then be required to contract with the vendor(s) that was selected by DECD as part of the RFQ process. In either case, DECD will provide a grant to each Borrower to pay for such assessment.. DECD will not reimburse for the costs of assessments done previously by the Borrower. Each Comprehensive Physical Needs Assessment shall be a twenty-year life cycle analysis covering all physical elements, adjusted for observed conditions, and shall include, at a minimum, an evaluation of: (1) dwelling units: building interiors and building envelopes; community buildings and amenities; site circulation and parking; site amenities such as lots; mechanical systems, including an analysis of technological options to reduce energy consumption and payback periods on new systems that produce heat and domestic hot water; and site conditions; (2) compliance with physical accessibility guidelines under Title II of the federal Americans with Disabilities Act; and (3) hazardous materials abatement, including lead paint abatement.

<u>Long Term Viability:</u> A Comprehensive Physical Needs Assessment acceptable to DECD must be completed for each housing development. Except for emergency repairs, each project submitted for funding under the SHSF shall be reviewed for the long-term viability of the housing and the likelihood the financial assistance will ensure the viability, except in the cases where emergency conditions exist.

Application Process for Non-Emergency Repairs: After all emergency repairs and Comprehensive Needs Assessments have been addressed, and additional funds remain, DECD will fund projects in the following priority order on a first-come, first-serve basis: (1) remediation or abatement of hazardous materials, including lead, (2) reduction of vacant units, (3) increases in development mobility and sensory impaired accessibility in units, common areas, and accessible rooms, and (4) major systems repairs or upgrades, including but not limited to roofs, windows, mechanical systems and security. DECD will provide Borrowers with 60 days advance notice that DECD will accept applications for these types of projects.

The application process for Non-Emergency Repairs is similar to the current process with the following exceptions:

#### CHFA's role will be limited to:

- Reviewing the Borrower's financial assistance worksheet and perform a reserve analysis.
- · Providing a recommendation letter for funding.

### DECD's role will be expanded to:

- Providing an application directly to the Borrower.
- · Providing payment/construction oversight of the project.

The Borrower will forward the SHSF Application to DECD, along with the same documents that are required under the Emergency Repair Process, with the exception of an Emergency Certification Form. A Comprehensive Needs Assessment will be required for all non-emergency repairs.

<u>Substantial Rehabilitation/Redevelopment Projects</u>: For substantial rehabilitation and redevelopment projects, the Borrower will submit the new DECD/CHFA joint application. Since these projects are beyond the scope of the SHSF, DECD will review the application under either Affordable Housing (FLEX) or the HOME Investment Partnerships (HOME) programs. The roles for DECD and CHFA are defined in the joint application process.

Where appropriate, the Borrower should also consider submitting an application under DECD's competitive Housing Trust Fund Program.

Attachment A

### State Assisted Housing Sustainability Fund Emergency Repair Items

The following is a list of potential work items, which may be classified as emergency repairs if the work is performed to abate actual or imminent emergency conditions that would result in the loss of habitable housing units. The list is not exhaustive and the DECD will consider other work items if they meet the definition of emergency repairs.

- Electric service and circuit panel upgrade
- Electrical wiring and circuit's upgrade
- Electrical ground fault interruption (GFI) in kitchens & bathrooms
- Structural defects, cause for structure to be unsafe
- Potential boiler failure, cause for explosion or fire to occur
- Severe roof problem, cause for collapse or water penetration
- Severe deterioration of exterior brick lintels or relief supports
- Basement or underground oil tank failure
- Fencing in of water hazards, open culverts, etc.
- Non-operational smoke detection and/or fire alarm system
- Child safe bars/screens- three stories or more buildings
- Lead abatement per state regulations where an EBL child resides
- Deteriorated chimney flues
- Septic system failing
- Well water system health & equipment problems
- Friable exposed hazardous asbestos containing material
- Severe deterioration of exterior fire escape structure
- Exterior and/or interior lead abatement, units identified to contain toxic level of lead & defective surfaces where a child under the age of six resides
- Severe Elevator problems
- Serious code violation(s) cited by local building, health and or fire official
- Inoperable bedroom egress windows
- Non-operational site & security lighting
- Deterioration of exterior cantilever balcony
- Building equipment code violations or failures
- Severe termite & other insect infestation problem
- Code violation cited by local building/fire official/health
- Other Hazardous materials and environmental conditions

Attachment B

### **ENERGY STAR Qualified Products and Practices**

DECD encourages applicants to undertake activities that prolong the use of energy efficient residences. One way this can be accomplished is to incorporate ENERGY STAR qualified products and practices when conducting rehabilitation. Increasing energy efficiency can be accomplished through the installation of storm windows and doors, siding, wall and attic insulation, and conversion, modification, or replacement of heating and cooling equipment, including the use of solar energy equipment. Increasing energy efficiency:

- Lowers utility bills;
- > Improves comfort; and
- > Increases property value.

Applicants are encouraged to use ENERGY STAR specifications. There are three ways to incorporate ENERGY STAR:

- Specify ENERGY STAR qualified products;
- > Follow recommendations for energy-efficient HVAC systems; and
- Specify ENERGY STAR Qualified Products for appliances, heating and cooling, insulation, lighting, roofing, doors and windows

For more information on procuring ENERGY STAR products, see <a href="http://www.energystar.gov/index.cfm?c=bulk">http://www.energystar.gov/index.cfm?c=bulk</a> purchasing.bus purchasing

Attachment C

### Guidance on Required Compliance with Temporary Relocation

As required by state and federal regulations, housing rehabilitation programs must incorporate safe work practices into their rehab procedures. These requirements may necessitate that occupants of properties undergoing rehabilitation temporarily move out of their unit during the rehabilitation phase, depending on the nature, extent and duration of the work to be performed.

The State and Federal Government each have relocation requirements. The Uniform Relocation Assistance and Real Property Acquisition Policy Act of 1970, 42 U.S.C. § 1437e, et. seq, as amended (URA) governs the federal program. The State's requirements are pursuant to CT General Statutes § 8-37z, as amended by P.A. 92-183, 8-266 et seq. (Chapter 135 of the Connecticut General Statutes), and Regulations of Connecticut State Agencies § 8-273-1, et. seq. Since the Connecticut General Statutes do not specifically address temporary relocation, you should consult the guidance put forward based on federal law in the HUD Handbook 1378, Tenant Assistance Relocation and Real Property Acquisition Handbook. The Handbook can be found on HUD's website, <a href="https://www.hudclips.org">www.hudclips.org</a>. Please make note, however, that should full relocation benefits be triggered by your housing project under this state program, you should refer to the State of Connecticut relocation statutes and regulations as noted above.

Funds for relocation will not be advanced to the Borrower until a relocation plan is reviewed and approved by DECD. Relocation costs will be provided for no longer than 60 days, made necessary because of the failure of a major building system or an emergency condition where there will be a temporary loss of habitable units.

Costs and expenses incurred in connection with temporary relocation, but NOT permanent relocation, may be eligible for reimbursement under the State-Assisted Housing Sustainability Fund. Funding recipients should pay particular attention to notice requirements. Reference should be made to the State-Assisted Housing Sustainability Fund Procedures and HUD Handbook 1378 for additional details and requirements.

### **NOTICE**

#### DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT

#### State-Assisted Housing Sustainability Fund Policies and Procedures

In accordance with the provisions of Subsection (c) of section 104 of Public Act 07-4 of the June Special Session, as amended by section 2 of Public Act 07-5 of the June Special Session, notice is hereby given that the Department of Economic and Community Development proposes to adopt policies and procedures in regulation form for the **State-Assisted Housing Sustainability Fund.** 

**Statement of purpose:** To implement the provisions of Subsection (c) of section 104 of Public Act 07-4 of the June Special Session, as amended by section 2 of Public Act 07-5 of the June Special Session, which requires the Commissioner to adopt written policies and procedures to implement such provisions while in the process of adopting such policies and procedures in regulation form, and the commissioner shall print a notice of intention to adopt the regulations in the Connecticut Law Journal not later than twenty days prior to implementing such policies and procedures.

Copies of these proposed policies and procedures may be obtained from Ms. Frances Messina, Department of Economic and Community Development, Compliance Office and Planning/ Program Support, 505 Hudson Street, Hartford, Connecticut 06106; phone (860) 270-8255 or email: <a href="mailto:fran.messina@ct.gov">fran.messina@ct.gov</a>. Copies may also be obtained by going to <a href="mailto:www.decd.org">www.decd.org</a>